GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:6518
ANSWERED ON:09.05.2002
POWER GENERATION THROUGH PARTICIAPTION BY PRIVATE SECTOR
PUSHPDAN SHAMBHUDAN GADHAVI

Will the Minister of POWER be pleased to state:

(a) whether there is any long term planning of the Government with regard to power generation in the country through the participation of private sector;

(b) if so, whether any policy has been laid down in this regard;

(c) if so, the salient features of the policy;

(d) whether the Government are contemplating to allow Naphtha based power projects in the country; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : Yes, Sir.

(c) : A policy to encourage greater private sector participation in the Indian Power Sector was announced in October, 1991.The main objective of this policy was to bring in additionality of resources in view of the growing gap between the demand and supply and the serious resource crunch being faced by the State Electricity Boards and Central/State Sector Generating Corporations.The policy was also expected to raise levels of efficiency, productivity and competition.

The salient features of the private power policy announced in 1991 and reviewed from time to time are as under :-

(i) Private Sector can set up power projects of any size and any type : thermal projects on conventional fuel, hydel projects or non-conventional sources such as wind/solar energy.

(ii) Debt: equity ratio up to 4:1 allowed.

(iii) 100% foreign equity participation allowed in generation, transmission & distribution.

(iv) Liberalized rates of depreciation in respect of assets.

(v) Import of equipment for power projects at concessional customs duty.

(vi) Generating companies can sell power on the basis of a suitably structured two part tariff-one part to cover fixed costs and the other to cover variable costs at a prescribed level of performance.

(vii) Guidelines also issued for tariff based competitive bidding (availability based tariff) for thermal power stations.

(viii) Development of captive coal mines permitted as per guidelines of Ministry of Coal in this regard.

(ix) Award of power projects, with a few exceptions, through International Competitive Bidding (ICB) route made mandatory from 18.2.1995 onwards.

(x) Powers for grant of environmental clearance decentralized to the extent feasible.

(xi) Capital cost limits exceeding which techno-economic clearance is required from the Central Electricity Authority (CEA), raised

suitably.

(xii) Automatic approval for foreign investment without any upper limit.

(xiii) Relaxation of 40% cap on debt exposure by Indian Financial Institutions.

(d) & (e) : Naphtha is one of the liquid fuels permitted for use in the generation of electricity. Allocation of naphtha to various States has been fixed at around 12,000 MW. Though a few projects have been commissioned using naphtha as a feed stock, naphtha is no longer considered a viable fuel for generation of electricity due to its high cost in the international markets and difficulty of handling.